

CUSC Workgroup Consultation Response Proforma**CMP332: Transmission Demand Residual bandings and allocation (TCR)**

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to cusc.team@nationalgrideso.com by **5pm on 27 February 2020**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

If you have any queries on the content of this consultation please contact Paul Mullen at paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
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For reference the applicable CUSC objectives are:

- a. *That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;*
- b. *That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);*
- c. *That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;*
- d. *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1 *; and*
- e. *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

**Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).*

Please express your views regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions		
1	Do you believe that the CMP332 Original Proposal better facilitates the Applicable CUSC Objectives?	We believe that CMP332 does better facilitate the applicable CUSC objectives. Whilst it primarily ensures NGESO is compliant with the terms of the Direction and therefore it's license obligations, it also aims to provide the benefits as described in Ofgem's decision document.
2	Do you support the proposed implementation approach?	The implementation plan described in CMP332 is consistent with that jointly proposed by NGESO and the Distribution Network Operators (DNOs) as part of our joint Project Initiation Document (PID) to Ofgem showing how a April 2021 implementation date is possible and so we support this implementation approach. It should be noted however that the PID did also highlight some significant risks associated with a April 2021 delivery date and whilst CMP332 alleviates some of these risks, it does entirely remove them or complete de-risk April 2021 delivery.
3	Do you have any other comments?	Not at this time
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Not at this time
Specific CMP332 Workgroup Consultation questions		
5	Based on the mapping table in Annex 6, does the proposed CMP332 solution deliver Ofgem's TCR SCR Direction? Please identify any areas you believe need to be addressed.	CMP332 will not deliver all aspects of Ofgem's TCR Direction; however the mapping table does show that between all of the TCR CUSC modifications raised by NGESO (specifically CMP334 and CMP335/6) the requirements of the Direction will be met in full.
6	CMP332 solution proposes to have one Transmission Band for the demand residual charge. Do you agree, if not what	We agree that one band for Transmission connected demand is appropriate. There are a small number of Transmission connected demand sites. Creating more than one band would most likely result in bands which contain very few (<6) sites this will increase the volatility of residual charges faced by the sites in such

	do you suggest instead, and why?	bands. Having a single band for Transmission connections also has additional benefits in that it is simple to administer (for industry as well as ESO) and removes potential gaming opportunities.
7	The TCR SCR Direction specifies that 24 months of data is required to allocate the customers to charging bands. The Original solution (for CMP332) proposes to use a standard 12 months period for all. What period of historical data do you think is required for setting the bands, and why?	<p>We believe this question is not accurate. It is clear in Ofgem's direction (paragraphs 24 & 25 of the CUSC direction - linked here) that NGESO and the DNOs must use 24 months of data to allocate sites to the appropriate charging band. The Direction does not specify the amount of data to be used for the creation of the charging bands. Additionally, CMP332 is not concerned with the allocation of sites to charging bands, this is covered in a separate CUSC modification CMP336.</p> <p>We sympathise with the view that consistency in the timeframe of data used, between band setting and the allocation of sites to bands, would be beneficial. However, in our view, the benefit would be less than the additional cost of gathering 24 months of data compared to 12 months. Given that these bands are to be applied across Great Britain, we believe that 12 months data will provide a sufficiently accurate data set to enable the setting of truly representative charging bands.</p>
8	If there is any revenue under/over recovery due to the differences between the initial allocation of charging bands vs the outturn of such bands, how should this amount be recovered/rebated?	We believe any under/over recovery should be managed using existing processes and the TNUOS correction factor (commonly referred to as the 'K' factor)
9	Should we use Measurement Classes rather than "No MIC" or "MIC" to determine initial grouping for the charging bands at low voltage, and why?	We believe the classification used should be the one which is most practical to meet the implementation approach; this decision would have a more significant impact on DNOs.
10	Should UMS be included in the banding structure (e.g. LV no MIC) or charged separately	Applying a volumetric measure to UnMetered Supplies (UMS) will undermine Ofgem's work in this area as the Transmission Demand Residual should not provide an economic signal that affects behaviour to consume; a volumetric measure will incentive UMS

	on a volumetric basis?	sites to reduce their demand. Whilst the nature of UMS sites means changing behaviour in the short term may not be easy, this is possible in the longer term and so provides a distortion compared to other demand sites. Therefore, we believe applying the banding structure to UMS should be progressed.
11	Do you have any thoughts on any of the suggested options and/or do you believe there any other options for the Workgroup to consider?	<p>Of the options considered by the workgroup, we believe the most suitable solution is flooring the locational demand tariff at £0 (i.e. the proposal) for the following reasons;</p> <ol style="list-style-type: none"> 1. Allowing negative prices would provide a large incentive for demand users to increase their consumption over Triad to receive a payment equal to the locational tariff. As the Triad is the time when the Transmission System is at highest demand (and under most stress), it seems counter-intuitive to pay users to increase stress on the Transmission System. This could be resolved by changing how the locational tariff is applied however this is the remit of the Access and Forward-Looking Charges SCR (A&FLC SCR) 2. Whilst flooring the combined locational and residual tariffs would remove the issue in point 1 and preserve the locational signal, it is not practical to implement. This is because the residual (£/site/day) and locational (£/MWh) tariffs cannot be combined without significant risks and assumptions which would affect the amount of TNUoS recovered. It would also mean that those customers located in an area with a positive locational signal would be subsidising those with a negative locational signal and so would be paying more than the published tariff. 3. Whilst we acknowledge that Ofgem's analysis did not consider flooring locational prices at £0 (which may affect the benefit of the TCR decision), the same analysis did not consider behavioural changes as a result of these negative prices. 4. Whilst flooring at £0 would have an impact on the locational signal (which is in scope of the A&FLC SCR), it has the smallest impact on this signal compared to the other options raised by the workgroup whilst removing the concern raised in point 1. We believe the concern in point 1 would have a more negative impact on

		the functionality of the market compared to flooring a £0.
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